HOW YOUR SOCIAL SECURITY CHECK IS AFFECTED BY A PENSION

FROM WORK NOT COVERED BY SOCIAL SECURITY

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How a pension from work not covered by Social Security may affect you

Do you work in a job not covered under Social Security but have enough Social Security credits to be eligible for retirement benefits? And have you been planning on retirement based on both your own pension and also Social Security retirement benefits?

If so, a 1983 change in the Social Security law may affect you. Under this change, a different Social Security benefit formula is used in figuring your Social Security benefit amount. This will result in a lower benefit.

The 1983 change applies to retired and disabled workers who are first eligible after 1985 for both a Social Security benefit and a pension based in whole or in part on employment not covered by Social Security. Your pension from the job not covered by Social Security is not reduced. In addition, the change does not affect Social Security survivor benefits.

You are *not* affected by the change if, *before 1986:*

- You reach 62;
- You become disabled and remain entitled to a Social Security disability benefit in any of the 12 months before the month you reach 62, even if you reach 62 after 1985; or
- You receive, or are first *eligible* to receive, your pension based on employment not covered by Social Security.

You are considered *eligible* to receive a pension if you meet the requirements of the pension plan before January 1986, even if you continue to work.

The new benefit formula applies to all workers who meet both of the following criteria:

1 Reach 62 or become disabled after 1985 *and*

2 First become eligible after 1985 for a monthly payment based at least in part on work not covered by Social Security.

This new method of figuring benefits does not apply to several groups of people even though they meet the above conditions. They are:

- Federal workers who were newly covered under Social Security on January 1, 1984;
- Employees of nonprofit organizations that were mandatorily covered under Social Security for the first time on January 1, 1984;
- Workers who have 30 or more years of coverage under Social Security;
- People whose only pension is based solely on railroad employment; and
- People whose only employment not covered by Social Security that resulted in a pension was before 1957. Since military service was not covered by Social Security until 1957, this exclusion applies to people who receive a military pension based in part on military service before 1957. The exclusion applies, however, only if this is the only pension the person receives that is based on service not covered by Social Security.

Why the new benefit formula?

The purpose of the new benefit formula is to eliminate an unintended advantage that the heavy weighting in the Social Security benefit formula gave workers who also have pensions from employment not covered by Social Security.

The weighting is intended to help workers with low earnings by providing them with a benefit that is higher in relation to their previous earnings than the benefit provided for workers with high earnings. However, the formula also helped workers who spent only part of their careers in covered employment because their Social Security benefits were figured as if they were long-term, low-wage workers. The new benefit formula eliminates the excess benefit provided to such persons by using a less heavily weighted benefit formula to figure benefits.

Guarantee

The 1983 law provides a guarantee designed to protect workers with relatively low pensions. The guarantee provides that the reduction in the Social Security benefit cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

New Social Security benefit formula

The regular Social Security benefit formula has three levels. Each level of earnings is multiplied by a specified percentage. The first level of earnings is multiplied by 90 percent; the second by 32 percent; and the final level by 15 percent. The results are added to obtain the basic benefit rate.

The new benefit formula that applies to people with pensions from employment not covered by Social Security lowers the 90 percent factor in the first level of the formula to 40 percent. This reduction is phased in during a 5-year period (1986-1990).

Phase-in period

The 40 percent factor is phased in gradually for workers who reach 62 or become disabled in 1986 through 1989. The phase in applies as follows:

Year you reach 62 or become disabled	The first factor in the benefit formula is:
1986	80 percent
1987	70 percent
1988	60 percent
1989	50 percent
1990 or later	40 percent

Special rules for people with many years of covered employment

There are special rules for workers who receive pensions based on noncovered employment, but who have a substantial number of years of significant employment covered under Social Security.

Workers who have 30 or more years of Social Security coverage are fully exempt from the new benefit formula. For workers with 26-29 years of coverage, the first factor of the formula is larger than

ɔercent. The percentage is
ɘd on the number of years of
ɘrage as follows:

of coverage	First factor in formula
29	80 percent
28	70 percent
27	60 percent
26	50 percent
25 or less	40 percent

e: If the new benefit formula ap-
ːs to you, and you reach 62 or
ome disabled in 1986 through
9, and you are also eligible for
exception based on years of
erage, the rule yielding the
ater benefit is used.

ɪr of coverage

ɹ are credited with a year of
ʳerage if your earnings for each
ɪr equal or exceed the figure
ɔwn for each year in the follow-
ɾ chart.

w to figure your years of ʳerage

r	Wages needed for one year of coverage	Your actual credited wages	Number of years of coverage
7-50	$ 900[1]	$	
1	900		
2	900		
3	900		

1954	900
1955	1,050
1956	1,050
1957	1,050
1958	1,050
1959	1,200
1960	1,200
1961	1,200
1962	1,200
1963	1,200
1964	1,200
1965	1,200
1966	1,650
1967	1,650
1968	1,950
1969	1,950
1970	1,950
1971	1,950
1972	2,250
1973	2,700
1974	3,300
1975	3,525
1976	3,825
1977	4,125
1978	4,425
1979	4,725
1980	5,100
1981	5,550
1982	6,075
1983	6,675
1984	7,050
1985	7,425
1986	7,875

[1] Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

You're probably wondering how much your Social Security benefit will be under the new benefit formula after 1985. You can make an approximate estimate by following the directions in the leaflet, *Estimating your Social Security retirement check—Using the indexing method,* Steps 1-7. In "step 8 for workers who reach age 62 in 1986," replace the 90 percent factor with the revised percentage, shown in the "Phase In" or "Years of Coverage" chart on pages 7-8.

For more information

If you need more information about the new Social Security benefit formula or help in estimating your benefit, contact any Social Security office. The people there will be glad to help you.

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